

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----x
UNIVERSAL CITY STUDIOS, INC., :
Plaintiff, :
- against - :
NINTENDO CO. LTD. and :
NINTENDO OF AMERICA, INC., :
Defendants :
-----x

STATE OF NEW YORK)
COUNTY OF NEW YORK) ss.:

FREDRIC M. SIDEWATER, being sworn, deposes and states:

1. I am Vice President of Dino De Laurentiis Corporation ("DDLC"), a position I have held since prior to 1975. I am familiar with the facts concerning DDLC's production and release in December 1976 of the motion picture "KING KONG" a remake of the 1933 RKO classic of the same name, and with the contractual arrangements that were made between DDLC and RKO General, Inc. ("RKO") under which we secured the rights necessary to produce, distribute and commercially exploit the motion picture. I am also familiar with the litigation that was brought by Universal City Studios, Inc. ("Universal") in federal and state court in California in 1975 against RKO and DDLC over Universal's asserted right to produce a "KING KONG" remake and with the settlement of that litigation between Universal and ourselves.

2. In this affidavit I wish to relate the facts relevant to several points which I am advised by counsel for Universal have been raised in papers filed by the defendants in captioned lawsuit for infringement and unfair competition involving the "KING KONG" trademark.

A001307

3. To put DDLC's position in the proper context, I should start with our film. Our 1976 "KING KONG" remake was one of DDLC's major film projects. It took approximately two years for us to make the film (we started in early 1975) and an investment of many millions of dollars. In the seven years that have passed since its release, DDLC's "KING KONG" has been exhibited and shown to millions of people in theaters throughout the country. It has been broadcast several times on network television, exhibited through cable and pay television and is now sold and rented to the public in videocassette and videodisc form. As I say, "KING KONG" was DDLC's major film project of the late 1970's and when it was released on December 17, 1976 by Paramount Pictures Corp. ("Paramount"), whom we had licensed to distribute the film domestically (United States and Canada), it was shown to audiences in approximately 1,000 theaters across the country simultaneously.

4. When we acquired the right to make this motion picture, under an agreement with RKO of August 29, 1975, as supplemented by various letter agreements, we also secured from RKO the right to use and license others to use the name "KING KONG" and the "KING KONG" gorilla character for the sale of all kinds of products and services. We believed at the time that the market for these products could be developed and successfully exploited because of the goodwill and publicity generated by our motion picture. This is precisely what happened, although DDLC did not license the "KING KONG" name for this purpose directly. Instead, we granted the merchandising rights we had earlier acquired (from RKO) to Paramount in the U.S. and Canada (in an agreement among RKO, Paramount and DDLC signed on April 14, 1976, and a separate "Deal Memo" with Paramount of May 20, 1976). The Deal Memo, a copy of which is attached to this affidavit as Exhibit A, recited (¶12) that Paramount would have to secure RKO's approval of the quality of all merchandise sold under the "KING KONG" name.

5. Our records show that pursuant to those contracts Paramount licensed the "KING KONG" name and gorilla character to several dozen companies who used it to advertise and sell all kinds of products ranging from toys, games and dolls, and

promotional items tied in with our "KING KONG" movie, to clothing and household goods. This was all in the period prior to and immediately following the release of our "KING KONG" motion picture and continuing through late 1979.

6. While the agreements pursuant to which the licenses issued by Paramount were being worked out among RKO, DDLC and Paramount, DDLC found itself involved as a defendant in two lawsuits filed by Universal Studios, one brought in California state court in May 1975 and the other in federal district court in Los Angeles in October 1975. In the broadest sense both cases related to the same matter, i.e., Universal's claim of rights to make a "KING KONG" motion picture of its own, and in both our co-defendant was RKO. To simplify what would otherwise require a complicated narrative about this litigation, I would summarize it from DDLC's perspective as follows: Well before the trial of Universal's federal declaratory judgment claim (the one that sought a determination that the story "KING KONG" was no longer protected by copyright) and DDLC's federal counterclaim (for unfair competition over Universal's then planned use of the "KING KONG" name), we settled both actions with Universal. This was on January 23, 1976, some eight months before Universal's claims against RKO in that suit were tried.

7. I make a point of this because I understand from Universal's counsel that Nintendo has argued in its motion papers that Universal "defeated" DDLC's counterclaim for unfair competition and infringement over the KING KONG trademark in the federal action. Obviously this statement is wrong. Our counterclaim against Universal was voluntarily dismissed as a result of our settlement agreement in January 1976 and was never tried.

8. Next, I wish to state that vis-a-vis DDLC's position Universal is fully entitled to exploit the goodwill that was (and is still being) generated by DDLC's successful 1976 "KING KONG" motion picture for the "KING KONG" name and "KING KONG" mechanical gorilla. As I said earlier, our merchandising rights, by which I mean the right DDLC once had to use the "KING KONG" name and "KING KONG" gorilla character in the promotion and sale of goods and services,

expired in late 1979, pursuant to the terms of our agreement with RKO. DDLC, of course, owns the copyright in the 1976 "KING KONG" motion picture and that stands on an altogether different footing. As the copyright proprietor of the 1976 movie, DDLC continues to own all of the rights to exhibit and license the sale and exhibition of the picture provided by the copyright laws. But I do wish to be clear: we do not license our picture or footage or still photographs from the picture to anyone for use in the sale of "KING KONG" products or services.

9. I might add that, during the period when DDLC was an RKO licensee and was authorized to use the "KING KONG" name and gorilla character for merchandising purposes, we were very concerned about the unauthorized use of the "KING KONG" name and gorilla character by others who did not have proper licenses from Paramount. When infringing uses of the "KING KONG" name and character came to our attention, we wrote letters demanding that the infringements stop. In one instance I recall that we joined with Paramount in a lawsuit in federal court in New York to stop a company from advertising a motion picture called "APE" through advertising material which used the "KING KONG" name and gorilla character without our consent. We were successful in that litigation, and I refer to it here simply to show that DDLC did police the "KING KONG" trademark when it was an authorized RKO licensee. In the same connection, I would note that a company called Fun Games, Inc. once wrote us advising of its plans to produce a video game which would have portrayed a giant ape on top of the Empire State Building swatting at airplanes. When we learned of this, our attorneys wrote to the company (see Exhibit B) pointing out that we considered their proposal a clear infringement of our "KING KONG" rights and that was the end of the matter.

11. To the extent DDLC still receives inquiries from companies interested in obtaining a license to use the "KING KONG" name for merchandising purposes, we routinely turn these inquiries over to Universal. A good recent example is the inquiry we received in August 1982 from a company called National Electronics & Watch Co. Ltd. which asked about the possibility of entering into a

licensing agreement whereby the "KING KONG" name could be used in connection with the advertising and sale of wrist game watches. We passed that inquiry on to Universal and it is my understanding that Universal subsequently signed an agreement with the company licensing "KING KONG" for those products.


FREDRIC M. SIDEWATER

Sworn to before me this
7th day of July, 1983


Notary Public

AMY. CHASE
Notary Public, State of New York
No. 31-4740865
Qualified in New York County
Commission Expires March 30, 1985



PARAMOUNT PICTURES CORPORATION

RECEIVED

OCT 7 1980

J. V. D.

DEAL MEMO

May 20, 1976, effective
as of February 6, 1976

Dino De Laurentiis Corporation
202 North Canon Drive
Beverly Hills, California

Attention: Norman Flicker

Gentlemen:

Following are principal terms of agreement with respect
to "KING KONG".

1. Picture

"KING KONG", based on original RKO property and
Lorenzo Semple, Jr., screenplay. The RKO-DDL
agreement as amended prior to February 17, 1976
shall be deemed attached hereto and no change shall
be made therein without Paramount approval, unless
such change does not affect Paramount.

2. Picture Elements

Producer, Dino De Laurentiis; director, John
Guillermin; major cast, Jeff Bridges, Jessica Lange;
schedule of principal photography, 23 weeks; budget
of not less than \$3,000,000 in direct costs and a
PG rating.

3. Principal Photography Start Date

January 15, 1976.

4. Picture Delivery Date

November 30, 1976 - DDL shall regularly keep PPC
advised on a current basis of any factors occurring
which could delay Delivery Date.

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5. Paramount Territory

U.S., territories, possessions, and Canada, including all flag sites in all media, all as set forth in the GYPSIES contract, but excluding the U.K..

6. Term of Distribution

Perpetuity.

7. Paramount Production Advance

This shall be \$4,000,000 payable as follows:

- (a) \$350,000 on November 26, 1975
- (b) \$350,000 on January 7, 1976
- (c) \$500,000 on January 14, 1976
- (d) \$500,000 on January 21, 1976
- (e) \$500,000 on January 29, 1976
- (f) \$500,000 on February 5, 1976
- (g) \$1,000,000 payable in equal weekly installments over the schedule of principal photography
- (h) \$300,000 on Delivery of the Picture

8. Division of Gross Receipts

Division of Gross Receipts from Paramount territory shall be as set forth in Schedule I.

9. Distribution Costs

Distribution costs incurred by Paramount shall be paid by Paramount and absorbed entirely by Paramount. Paramount shall not be obligated to spend any specific amount for prints and advertising but shall be obligated to advertise and promote the picture in a manner appropriate to its quality and marketability as determined by Paramount in good faith.

10. Advertising Campaign :

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PPC shall consult with DDL concerning campaign and prepare one campaign based on said discussions and meet with DDL and the assigned advertising agency. If DDL rejects the campaign, PPC will prepare a second campaign, and if DDL rejects the second campaign, PPC will prepare a third campaign. If DDL rejects the third campaign, PPC will give good faith consideration to DDL views, but would not be obligated to do another campaign, and the final decision regarding the campaign, would be in PPC.

deal Memo/3

11. Music

The provisions of the GYPSIES contract shall apply.

12. Merchandising Rights

- (a) Subject to agreement dated August 29, 1975, as amended between RKO and DDL, all merchandising rights secured by DDL thereunder shall be exclusively exercisable by Paramount in Paramount territory provided that Paramount shall be responsible for compliance with RKO-DDL agreement such as securing RKO approval of form of merchandising agreement, copyrighting all merchandising containing character King Kong in RKO name, and securing approval of quality of merchandise containing character King Kong, all as more fully set forth in said RKO-DDL agreement.
- (b) Paramount's gross receipts after deduction of its costs, (including 20% fee), shall be gross receipts hereunder as between PPC and DDL. To the extent that agreements with RKO, Universal and Major R. Cooper do not allow Paramount's 20% fee to be included in costs, Paramount's gross receipts shall not be subject to such deduction as to whichever of them do not allow such deduction.
- (c) To extent Major R. Cooper is granted a share of merchandising receipts, such share shall be an off top deduction from gross receipts as between PPC and DDL provided that PPC shall have approval thereof and hereby approves grant of 7% of gross receipts from merchandising receipts to Major R. Cooper.

13. Deleted.

14. Deleted.

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15. DDL - PPC Credits - Advertising

- (a) DDL shall have a presentation or production credit 35% of the height, width and thickness of regular title (after consultation with Paramount) above the regular title and in the same color and style of type as the regular title; provided that if there shall only be one title, such credit need not be in the same color and style of type as such title. Paramount shall have a release credit in the customary position with respect to DDL-PPC pictures. With respect to Paramount's standard provisions for excluded credits, Paramount shall not be obligated to furnish DDL a presentation or production credit provided that if said credit is not furnished, Paramount may not utilize a release credit and shall be limited solely to the use of its logo in such excluded advertisements. Paramount's standard exclusions are attached as Schedule II to this letter.
- (b) DDL shall have the right to use all of Paramount's ad campaign material and trailers outside the Paramount territory; provided, however, that with respect to trailers, Paramount would permit DDL access to pre-print materials but all costs in connection with prints would be paid by DDL; provided, further, that with respect to ad campaign materials, Paramount would permit DDL access thereto but all costs of reproduction thereof would be paid by DDL.

16. Publicity and Stills

Paramount shall reimburse DDL 1/2 of the salary, fringes, and appropriate expenses of a unit publicist and a still photographer for services rendered exclusively on KING KONG, and Paramount shall have full rights to use all such material in Paramount territory.

17. Deleted.

18. Universal

- The essential financial participation are outlined in Schedule I.

19. Licensing to TV

PPC shall not release Picture on free TV prior to 3 years after date of release of Picture, provided that if gross receipts from PPC territory equal or exceed \$25,000,000 within said three-year period, then such release shall not be prior to 5 years after date of release of Picture. Notwithstanding the foregoing, in the event Universal produces a picture based on the story KING KONG, Paramount shall have the right to release Picture on free TV prior to the earliest date on which Universal will have the right to release its KING KONG picture to television under the January 23, 1976 Agreement between DDL and Universal.

20. Investment Tax Credit

PPC and DDL shall each be entitled to claim their respective share of the Investment Tax Credit, which in the case of PPC shall be based on PPC's \$4,000,000 Production Advance hereunder.

21. Legal and Insurance Costs

(a) DDL and PPC shall add their respective legal and insurance cost to the negative cost of the picture subject to terms of RKO-DDL agreement relating to negative cost and the certification of same.

(b) DDL and PPC shall each recoup their respective legal and insurance cost from their shares of gross receipts.

22. Treatment of TV Receipts

PPC standard practice with respect to accounting for TV gross receipts shall be applicable (i.e.: payment shall be made with statement for period in which telecast occurs). If DDL shall be indebted to PPC for any monies, and PPC shall actually receive any payment from a television network sale, Paramount will not demand repayment of such indebtedness, nor charge interest on such indebtedness to the extent of DDL's share of such TV gross receipts, and if DDL requests, DDL's share of such network payment shall be applied to and reduce the amount of such indebtedness. A001317

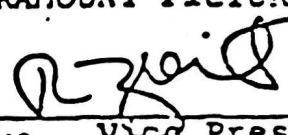
23. Statements from PPC to DDL may be on a billings or collection basis, and Paramount shall have the right to change the method from time to time, so long as such procedure shall apply generally to other pictures then being distributed by Paramount. In the event a statement is on a billings basis, Paramount shall have the right in subsequent statements to make adjustments for uncollected bills.

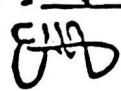
Deal Memo/6

The parties shall negotiate the balance of the terms in good faith and to the extent agreed upon such negotiated terms shall apply; otherwise the applicable provisions of the agreement between PPC and DDL relating to KING OF THE GYPSIES shall apply.

Very truly yours,

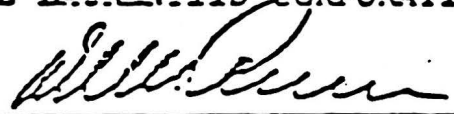
PARAMOUNT PICTURES CORPORATION

By 

 Vice President

Agreed:

DINO DE LAURENTIIS CORPORATION

By 

A001318

SCHEDULE I

DIVISION OF GROSS RECEIPTS

1. Gross Receipts received by PPC from its territory shall be payable as follows:
 - a. To RKO, 3% of PPC gross receipts until world wide gross equals breakeven at 250% of certified negative cost, all as defined in RKO-DDL agreement and thereafter, 10% of PPC gross receipts. PPC agrees to accord to RKO the rights provided for in Exhibits A, B and C of RKO-DDL agreement.
 - b. To Universal, 7-1/2% of PPC gross receipts in excess of \$6,000,000 until world wide gross equals actual breakeven determined by deducting from gross, a distribution fee of 17-1/2%, all costs of distribution incurred by PPC and other territorial distributors, and DDL recoupment of negative cost and interest. Thereafter, PPC to pay Universal 11-1/4% of its gross receipts. Gross receipts and deductions therefrom shall all be as defined in U-DDL agreement dated January 23, 1976. A copy of U-DDL agreement shall be attached hereto and no change shall be made in such agreement without prior Paramount written approval, unless such change does not affect Paramount. Paramount agrees to accord to Universal the rights provided to be accorded to Universal by Paramount in the U-DDL Agreement.
 - c. To Major R. Cooper (if agreement is executed), 7% of merchandising gross receipts after deduction of PPC merchandising costs to extent permitted by agreement with Major Cooper.
2. Gross Receipts received by PPC from its territory after payments provided in Schedule I, Paragraph 1 above, shall be divided between DDL and PPC as follows:
 - a. Paramount shall retain 100% of the 1st \$10,000,000 of Gross Receipts
 - b. DDL shall be paid 100% of next gross receipts from \$10,000,000 to \$12,000,000
 - c. 65% of Gross Receipts from \$12,000,000 to \$21,000,000 shall be retained by Paramount and 35% thereof shall be paid DDL.
 - d. Gross Receipts in excess of \$21,000,000 shall be divided by Paramount retaining 50% thereof and paying DDL 50% thereof.

Schedule I - Page 2

3. DDL shall prepare and furnish to RKO and PPC, consolidated statements of world wide gross receipts, and DDL shall also furnish to PPC copies of statements received from its sub-distributors. When world wide gross receipts as reported exceed 250% of the negative cost, breakeven shall be deemed to have occurred for purposes of the DDL-RKO agreement.
4. DDL shall prepare and furnish to U and PPC consolidated statements based on distribution fees and distribution costs incurred by PPC or other distributors, and recoupment of RKO gross and DDL negative cost plus interest and when such statements specify actual breakeven has occurred, increased percentage to U will be thereafter payable. PPC shall furnish DDL with requisite information with respect to Paramount territory to enable DDL to prepare consolidated statement
5. DDL shall be fully responsible for all net and gross participations, and defeasments, payable to 3rd parties except R Universal, or Cooper participation, which shall be handled as aforesaid.

A001320

SCHEDULE II

ADVERTISING EXCLUSIONS

Paramount's exclusions:

The obligation to accord DDL credit in advertisements shall apply only to paid advertisements issued by Paramount or under its direct control relating primarily to the Picture and shall in no event apply to so-called "teaser" and "special" advertising, publicity and/or exploitation relating to the Picture or screenplay upon which the Picture is based, any members of the cast, the authors, directors, producers or similar matters; to so-called "trailers" or other advertising by radio or television of less than 30 seconds in length; to institutional, group or list advertising; to other advertising not relating primarily to the Picture; to narrative form; to newspaper or other periodical advertisements of four (4) inches in height or less; to by-products, merchandising products or commercial tie-ups; or to advertising of such nature that DDL has not granted consent to the use of DDL's name in connection therewith. Notwithstanding anything to the contrary in said credit obligation, there shall be no obligation whatsoever to accord DDL credit of any kind in any so-called "Award Ads" (including consideration, nominations or congratulations for an award) relating to any other person involved with the Picture.

Artwork title provision:

With respect to any obligation to accord credit in paid advertising, if the title of the Picture or the title and the name(s) of one or more of the stars of the Picture is used more than once in such paid advertising, i.e., a so-called "regular" use and a so-called "artwork" use (such as, for example, the weaving of the title and/or the name(s) of the star(s) as part of the background of the advertisement or a display use or a fanciful use), the references herein to the title of the Picture and/or the name(s) of the star(s) of the Picture shall be to the so-called "regular" use of the title or the name(s) of the star(s) as distinguished from the "artwork" use of the title or the name(s) of the star(s).

A001321

August 9, 1976

I-

William McGrane, Esq.
Burd, Friedman & Bartko
1 Maritime Plaza
San Francisco, California

Dear Mr. McGrane:

This will confirm my telephone advice to you on Thursday August 5, 1976 that my client Dino De Laurentiis Corporation is producing a motion picture based upon the story and prior motion picture entitled "King Kong". My client has acquired merchandising rights in connection with this character.

You have brought to our attention the intent of your client, Fun Games Inc., to produce a video game portraying a giant ape astride the Empire State Building (or a similar skyscraper) swatting at airplanes which are trying to shoot him.

In our view, this proposed use is a clear infringement on the story "King Kong". Further, you have advised me that Fun Games Inc. intends to use the name "King Kong" in connection with such game. Whether or not the name "King Kong" is used as the title of the game, the proposed product is a violation of my client's right and my client will take whatever actions that may be necessary or appropriate to protect its rights. My client will consider that any violation of this right subsequent to this notice is a wilful breach thereof which may give rise to punitive as well as compensatory damages and my client reserves all rights in this manner.

Very truly yours,

Robert L. Oppenheim

RLO:me

cc: William Regan, Esq.
Louis Hindling
Fred Sidewater
Norman Flicker

A001323